

**DISCLAIMER**

*This electronic version of an SCC order is for informational purposes only and is not an official document of the Commission. An official copy may be obtained from the [Clerk of the Commission, Document Control Center](#).*

COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, JUNE 16, 1998

APPLICATION OF

KENTUCKY UTILITIES COMPANY

t/a OLD DOMINION POWER COMPANY

CASE NO. PUE980058

To revise its fuel factor

ORDER ESTABLISHING 1998/99 FUEL FACTOR

On February 12, 1998, Kentucky Utilities Company, ("KU") t/a Old Dominion Power Company ("ODP" or "Company") filed with the Commission an application, exhibits, and a proposed tariff intended to decrease its current fuel factor from 1.223¢ per kWh to 1.208¢ per kWh, effective for bills rendered on and after April 1, 1998.

By order dated February 25, 1998, the Commission established a procedural schedule and set a hearing date for March 30, 1998. In that regard, the Commission directed its Staff to file testimony and provided an opportunity for interested persons to participate in the proceeding. No notices of protest were received.

On March 12, 1998, the Commission's Staff ("Staff") filed a motion requesting a continuance and a revised procedural

schedule, citing new and complex issues which arose relating to the Company's accounting treatment of off-system sales. On March 16, 1998, the Commission granted Staff's motion, setting new dates for the filing of testimony, and establishing a revised hearing date of June 11, 1998. The original hearing date was retained for public witnesses. The Commission also ordered that the proposed fuel factor decrease from 1.223¢ per kWh to 1.208¢ per kWh to go into effect for bills rendered on and after April 1, 1998.

At the March 30, 1998 hearing, the Company presented proof of notice. No intervenors appeared.

On May 27, 1998, the Staff filed its testimony. Staff recommended that the Company's proposed estimates of energy sales and fuel prices be accepted as reasonable. Staff also recommended that the Commission approve the continuation of the total fuel factor of 1.208¢ per kWh. The Company did not file any rebuttal testimony.

The hearing was held on June 11, 1998. At the hearing, the Company's application and exhibits, and the Staff's testimony were entered into the record without cross-examination.

UPON CONSIDERATION of the record in this case, the Commission is of the opinion that a decrease in the Company's fuel factor to 1.208¢ per kWh is appropriate based, in part, on projected fuel expenses. Further, the Company shall file a plan

with the Division of Public Utility Accounting detailing its proposed methodology for the allocation of costs associated with non-system sales prior to engaging in any such transactions.

Approval of this factor, however, is not construed as approval of the Company's actual fuel expenses. For each calendar year, the Commission's Staff conducts an audit and investigation which addresses, among other things, the appropriateness and reasonableness of the Company's booked fuel expenses. Staff's results are documented in an Annual Report ("Staff's Annual Report"). A copy of Staff's Annual Report is sent to the Company and to each party who participated in the Company's last fuel factor proceeding, all of whom are provided with an opportunity to comment and request a hearing on the report.

Based on Staff's Annual Report, any comments or hearing thereon, the Commission enters an Order entitled "Final Audit for twelve-month period ending December 31, 19\_\_, Fuel Cost-Recovery Position," hereinafter referred to as "Final Audit Order." Notwithstanding any findings made by the Commission in an earlier order establishing the Company's fuel factor based on estimates of future expenses and unaudited booked expenses, the Final Audit Order will be the final determination of not only what are, in fact, allowable fuel expenses and credits, but also the Company's over or underrecovery position as of the end of

the audit period. Should the Commission find in its Final Audit Order (1) that any component of the Company's actual fuel expenses or credits has been inappropriately included or excluded, or (2) that the Company has failed to make every reasonable effort to minimize fuel costs or has made decisions resulting in unreasonable fuel costs, the Company's recovery position will be adjusted. This adjustment will be reflected in the recovery position at the time of the Company's next fuel factor proceeding. We reiterate that no finding in this order is final, as this matter is continued generally, pending Staff's audit of actual fuel expenses. Accordingly,

IT IS ORDERED THAT:

(1) A total fuel factor of 1.208¢ per kWh is hereby approved effective for bills rendered on and after April 1, 1998.

(2) The Company shall file with the Division of Public Utility Accounting a plan detailing its proposed cost allocation methodology prior to engaging in any non-system transactions.

(3) This case is continued generally.